

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1858 – HB 2211

March 4, 2014

SUMMARY OF ORIGINAL BILL: Requires the Commissioner of the Department of Economic and Community Development (ECD) and the Commissioner of the Department of Revenue (DOR), in consultation with the County Technical Advisory Service (CTAS) and the Municipal Technical Advisory Service (MTAS), to study the effects of state and local tax incentives on industrial and tourism development within the past two years and to make recommendations concerning the development of additional incentives to facilitate such initiatives.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – \$50,000/One-Time

SUMMARY OF AMENDMENT (013117): Deletes all language after the enacting clause. Decreases, from \$200,000,000 to \$75,000,000, the minimum aggregate investment of public and private funds regarding eligible projects for industrial development corporations and regarding qualified public use facilities under the Convention Center and Tourism Development Financing Act of 1998.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – The fiscal impact of this bill is dependent upon multiple unknown factors. As a result, a precise fiscal estimate cannot be determined. If a qualified public use facility is constructed, or an existing qualified public use facility is converted for a different public use, in the absence of this legislation, then state sales tax revenue would decrease by an unknown amount dependent upon the extent of future taxable sales occurring at the public use facilities. If the construction or conversion of a qualified public use facility is contingent upon the passage of this legislation, then the state would forgo an unknown amount of state sales tax revenue dependent upon the extent of future taxable sales occurring at the public use facility. Any decreased or forgone state sales tax revenue would result in a corresponding increase to local government revenue. Once received by the respective local government, the funds would be earmarked exclusively for the retiring of debt incurred for the construction or conversion of the qualified public use facility. While a precise fiscal estimate

cannot be determined, it is reasonable to anticipate the decrease or forgone state revenue, and the corresponding increase to local government revenue, to exceed \$1,000,000 per year. The recurring permissive decrease in property tax revenue, or any recurring forgone property tax revenue, to local government is estimated to exceed \$500,000, and will be equal to the amount that will be allocated to the industrial development corporation.

Assumptions for the bill as amended:

- The fiscal impact of this bill as amended is dependent upon several unknown factors, including the extent of future taxable sales that will occur on the premises once eligible projects are complete, and whether or not construction is contingent upon the passage of this legislation.
- The number of projects that will qualify as a result of the lowering the minimum aggregate investments required for qualification is unknown. However, it is reasonably estimated that an amount exceeding \$1,000,000 in incremental sales tax revenue will be transferred from the state to the local government for retiring of debt incurred for the construction or conversion of qualified public use facilities.
- Property tax revenue will be frozen in the year prior to the start of construction or conversion. Any incremental property tax revenue above this base tax amount generated from any qualified developments will be allocated to the industrial development corporation. Local governments will, as a result, experience either a permissive decrease in property tax revenue or forgone property tax revenue; the distinction being contingent upon whether the qualified public use facility is constructed or converted as a direct result of this legislation or in the absence of this legislation. The local revenue impact is reasonably estimated to exceed \$500,000.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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